

STATE OF HAWAII
DEPARTMENT OF LABOR AND
INDUSTRIAL RELATIONS
WORKERS' COMPENSATION SPECIAL
COMPENSATION FUND

FORECASTED SCHEDULE OF CASH BALANCE AND
LEVY OF ASSESSMENTS - CASH BASIS
SEPTEMBER 1, 2009 THROUGH MARCH 31, 2011

Submitted by
The Auditor
State of Hawaii

Office of the Auditor
State of Hawaii

We have compiled the accompanying forecasted schedule of cash balance and levy of assessments - cash basis of the State of Hawaii, Department of Labor and Industrial Relations, Workers' Compensation Special Compensation Fund for the period from September 1, 2009 through March 31, 2011 in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The accompanying forecasted schedule presents, to the best of the Workers' Compensation Special Compensation Fund management's knowledge and belief, the cash balance and levy of assessments - cash basis of the State of Hawaii, Department of Labor and Industrial Relations, Workers' Compensation Special Compensation Fund for the forecast period. It is not intended to be a forecast of financial position or results of operations. The accompanying forecasted information and this report were prepared for the State of Hawaii, Department of Labor and Industrial Relations, Workers' Compensation Special Compensation Fund for the purpose of providing a basis from which to assess levies on insurance carriers and self-insured employers.

A compilation is limited to presenting in the form of a forecast information that is the representation of the Workers' Compensation Special Compensation Fund's management and does not include evaluation of the support for the assumptions underlying the forecast. We have not examined the forecasted schedule and, accordingly, do not express an opinion or any other form of assurance on the accompanying schedule or assumptions. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying forecasted schedule and this report are intended solely for the information and use of the State of Hawaii, Department of Labor and Industrial Relations, Workers' Compensation Special Compensation Fund, the Office of the Auditor of the State of Hawaii, insurance carriers and self-insured employers and are not intended to be and should not be used by anyone other than the specified parties.



Honolulu, Hawaii
October 9, 2009

STATE OF HAWAII

DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
WORKERS' COMPENSATION SPECIAL COMPENSATION FUND

Forecasted Schedule Of Cash Balance And Levy Of Assessments - Cash Basis (Rounded To Nearest Thousand)
For The Nineteen-Month Period From September 1, 2009 Through March 31, 2011

2010

STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
WORKERS' COMPENSATION SPECIAL COMPENSATION FUND
Forecasted Schedule Of Cash Balance And Levy Of Assessments - Cash Basis (Rounded To Nearest Thousand)
For The Nineteen-Month Period From September 1, 2009 Through March 31, 2011

	2010		2011				
	July	August	September	October	November	December	January
							February
							March
Forecasted cash balance - beginning of month	\$8,047	\$6,640	\$5,143	\$8,791	\$7,381	\$5,973	\$4,564
							\$3,154
							\$1,742
Revenues:							
Levy on insurance carriers	-	-	-	-	-	-	-
Levy on self-insured employers	-	-	5,058	-	-	-	-
Interest income	8	7	5	5	7	6	5
							3
Total Forecasted Cash Balance and Revenues	8,055	6,647	10,206	8,796	7,388	5,979	4,569
							3,157
							1,745
Expenses:							
Workers' Compensation Payments:							
Benefit adjustment	617	706	617	617	617	617	617
Secondary injury	514	514	514	514	514	514	514
Defaulting employers	88	88	88	88	88	88	88
Total disability	23	23	23	23	23	23	23
Other	63	63	63	63	63	63	63
Other Expenses:							
Inter/intra-department reimbursed costs/others	110	110	110	110	110	110	110
Total Forecasted Expenses	1,415	1,504	1,415	1,415	1,415	1,415	1,415
Forecasted cash balance - end of month	\$6,640	\$5,143	\$8,791	\$7,381	\$5,973	\$4,564	\$3,154
							\$1,742
							\$ 330

See summary of significant assumptions and accounting policies and accountants' compilation report.

STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
WORKERS' COMPENSATION SPECIAL COMPENSATION FUND
Summary Of Significant Assumptions And Accounting
Policies - Cash Basis
September 1, 2009 Through March 31, 2011

1. Nature Of Presentation

The accompanying forecasted schedule of cash balance and levy of assessments presents, to the best of the Workers' Compensation Special Compensation Fund management's knowledge and belief, the Fund's expected cash balance and levy of assessments for the forecast period. Accordingly, the presentation reflects management's judgment as of October 9, 2009, the date of this presentation, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that the Workers' Compensation Special Compensation Fund management believes are significant to the presentation. There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. The accompanying presentation was prepared for the Fund's use in assessing levies on insurance carriers and self-insured employers and should not be used for any other purpose.

2. Basis Of Accounting

The accompanying forecasted schedule has been prepared on the cash receipts and disbursements basis of accounting, which differs from generally accepted accounting principles.

3. Levy On Insurance Carriers And Self-Insured Employers

The forecasted assessment on insurance carriers was based on a 7.2% levy on an estimated \$172,000,000 of gross premiums written in 2009. The estimate of gross premiums was based on management's knowledge and belief. The self-insured employers' assessment for September 2010, was based on 29% of the total levies to be assessed in 2010.

The accompanying forecasted schedule does not include the additional levy assessment due from insurance carriers in March 2011.

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September 1, 2009 Through March 31, 2011

4. Interest Income

Effective August 1, 1999, the Fund participates in the State Treasury Investment Pool System of the State of Hawaii. The interest earned on pool investments is computed monthly by the Financial Administration Division of the Department of Budget and Finance using an interest rate (1% per annum for the forecasted schedule) applied to the monthly cash balance.

5. Workers' Compensation Payments

Expenses were estimated based on trend analysis of past financial data to provide for new cases and increases in disability payments. These payments, authorized by Hawaii Revised Statutes Section 386-35, provide economic relief to permanently and totally-disabled claimants.

In 1982, legislation was passed to provide for an increase in workers' compensation benefit adjustment payments every ten years. Effective January 1, 2002, the benefit adjustment payments increased from \$437 to \$564. For the forecasted schedule of cash balance and levy of assessments - cash basis, the benefit adjustment payments is estimated to increase by 10% for new claims and the projected reimbursement to insurance carriers is estimated at approximately \$3,200,000 annually.

6. Inter/Intra-Department/Agency Reimbursed Costs

The attorney general's reimbursed costs are forecasted at approximately \$55,000 per month. Other facilitator unit and administrative support reimbursed costs are forecasted at approximately \$55,000 per month.